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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, December 19, 2007**

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A meeting of the Board of Administration was held on Wednesday December 19, 2007, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:03 a.m. by Board President Rob Feckner.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President  
Robert Carlson, Vice President  
Marjorie Berte  
Terry McGuire representing John Chiang  
George Diehr  
Debbie Endsley representing David Gilb  
Jim Zerio representing Bill Lockyer  
Priya Mathur  
Tony Oliveira  
Kurato Shimada  
Maeley Tom  
Charles Valdes

Excused: Michael Quevedo

**AGENDA ITEM 3 – APPROVAL OF THE NOVEMBER 15, 2007 MEETING MINUTES**

**ON MOTION** by Ms. Berte, **SECONDED** and **CARRIED**, the Board approved the November Board minutes.

**AGENDA ITEM 4 – CHIEF INVESTMENT OFFICER REPORT**

Russell Read, Chief Investment Officer presented this report to the Board.

Intensifying concerns about subprime mortgage market and weakness in the housing markets have raised a very real possibility of recession in the U.S. Economy.

At the same time the Federal Reserve has indicated that the specter of inflation is still real.

As of last Friday, December 14<sup>th</sup>, the value of the PERF stood at \$251.6 billion, or a little less than 2 percent higher than on June 30<sup>th</sup> of this year. Moreover this value is within .3 percent of last month's value for the PERF.

## **AGENDA ITEM 5 – INVESTMENT COMMITTEE**

Charles Valdes, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, December 17, 2007.

Additional information may be found in the December 17, 2007 Agenda Materials and/or transcripts of the Committee meeting.

The Board accepted the Committee Summary report (attached).

The next Investment Committee meeting is scheduled for February 19, 2008 in Sacramento, California.

## **AGENDA ITEM 6 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE**

Kurato Shimada, Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 18, 2007.

Additional information may be found in the December 18, 2007 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Neutral on AB 376 (Nava). Airport Police Officers.
- Support, if amended to apply to all state retirees regardless of the retirement date and to add school employees, SB 755 (Alquist). \$5,000 death benefit for retired state members. Ms. Endsley voted no.
- State Legislative Proposal: Sponsor minor policy and technical amendments to the Government Code.

The next Benefits and Program Administration Committee meeting is scheduled for February 20, 2008 in Sacramento, California.

## **AGENDA ITEM 7 – HEALTH BENEFITS COMMITTEE**

George Diehr, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 18, 2007.

Additional information may be found in the December 18, 2007 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Board Health Consultant Contract, RFP No. 2007-4365, to Watson Wyatt Worldwide subject to staff's final approval of the contract.
- 2008 Long-Term Care Program application period beginning April 1, 2008 through June 30, 2008.
- Long-Term Care Program 2007 Valuation Report.

The next Health Committee meeting is scheduled for February 20, 2008 in Sacramento, California.

## **AGENDA ITEM 8 – FINANCE COMMITTEE**

Robert Carlson, Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Friday, December 14, 2007.

Additional information may be found in the December 14, 2007 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee the Board approved the following:

- Draft management letter as prepared by Macias, Gini, and O'Connell, LLP for fiscal year ending June 30 2007.
- Semi-Annual update of the CalPERS 2006-2009 Three-Year Business Plan. The staff will then submit the updated plan to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, State Controller, Department of Finance in accordance with the Budget Act of 2007; and the Legislative Analyst's Office and State and Consumer Services Agency.
- 1. Proposed CalPERS 07-08 mid year budget increase of \$12,610,000 and 54 positions for a total Administrative Budget of \$328,916,948 and 2,217 positions and recommend approval of the budget as a second reading.
  2. Proposed CalPERS 07-08 mid year budget increase of \$18,369,000 to the Enterprise Projects Budget for a total budget of \$101,929,972 and recommend the approval of the budget as a second reading.
  3. Transmittal of the agenda item to the Joint Legislative Budget Committee fiscal committees of the Legislature, State Controller, and State Department of Finance, in accordance with the 2007 Budget Act; and to the Legislative Analyst's Office and State and Consumer Services Agency.

Ms. Endsley abstained.

The next Finance Committee meeting is scheduled for February 20, 2008 in Sacramento, California.

## **AGENDA ITEM 9 – PERFORMANCE AND COMPENSATION COMMITTEE**

Priya Mathur, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Friday December 14, 2007.

Additional information may be found in the December 14, 2007 Agenda Materials and/or transcripts of the Committee meeting.

On Motions by the Committee the Board approved the following:

- First quarter status reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and his direct reporting staff.
- Proposed changes in the Performance Plans of the Chief Operating Investment Officer and Senior Investment Officers.
- First reading of the 07-08 Performance Plans for the recently appointed investment managers.
- Amended interim base salary and performance award schedule for General Counsel. Mr. Zerio abstained.
- Phase 2 reviewing compensation policy language and biennial salary survey date in 2008. Developing a civil service classification for General Counsel.
- The amended 2008 Committee Meeting calendar.

The next Performance and Compensation Committee meeting is scheduled for February 19, 2008 in Sacramento, California.

## **AGENDA ITEM 10 – AD HOC BOARD ELECTIONS COMMITTEE**

Kurato Shimada, Chair, Ad Hoc Board Elections Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 18, 2007.

Additional information may be found in the December 18, 2007 Agenda Materials and/or transcripts of the Committee meeting.

On Motion by the Committee the Board approved the following:

- Compressing the current Board election schedule from 13 months to 10 months.

The next Ad Hoc Board Elections Committee meeting is scheduled for February 2008 in Sacramento, California.

## **AGENDA ITEM 11– BOARD MEETING CALENDAR**

Fred Buenrostro noted that the Board offsite will be held in Petaluma, California.

## **AGENDA ITEM 12– CHIEF EXECUTIVE OFFICER’S REPORT**

CalPERS was selected as the most influential player in the corporate governance community by Directorship magazine.

2007 marked the official 50<sup>th</sup> anniversary of the state workers involvement in the United Way. This year CalPERS staff raised a record of \$480,000; 26 percent higher than last year.

Fred Buenrostro acknowledged the following:

- Ken Marzion’s contribution by putting together a golf tournament which raised over \$300,000.
- Darryl Watson and the kickoff barbecue which drew in more than 580 of CalPERS employees.
- Kim Malm and the cake and gift basket auction, which raised a total of over \$7,000. Ms. Malm also chaired the chili cook off. This event raised over \$2,000.

President Feckner personally thanked Russell Fong and Donna Lum; Larry Jensen, Rose Hicks and the Public Affairs office.

President Feckner then presented Steve Heath, President and CEO, United Way with a contribution of \$441, 459.25.

Fred Buenrostro introduced Donna Lum as the 2008 Chair of United Way.

President Feckner raised a point of personal privilege and acknowledged Bob Carlson for his long standing contribution and membership to the Board of Administration, and presented Mr. Carlson with a CalPERS Board Resolution and CalPERS “basket”.

Vice President Bob Carlson thanked his fellow Board Members and CalPERS staff.

### **AGENDA ITEM 13 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION**

Wendy Notsinneh, Chief Governmental Affairs reported Governor Schwarzenegger declaring a fiscal emergency allowed under Proposition 58 of 2004.

### **AGENDA ITEM 14 – BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION**

Tom Lussier, CalPERS Federal Legislative Liaison presented;

- Disappointment about the SEC’s reluctance to move forward with Proxy Access
- Health IT

### **AGENDA ITEM 15 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

**ON MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendation on Items 15A – I. Ms. Berte abstained.

**ON MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendation on Item 15D. Ms. Berte abstained.

### **AGENDA ITEM 16 – PETITION FOR RECONSIDERATION**

**ON MOTION** by Ms. Endsley, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendation on 16A – denying the Petition for Reconsideration in the Matter of the Application for Disability Retirement of Karen T. Hjelmstrom-Haney.

### **AGENDA ITEM 18 – GENERAL COUNSEL’S REPORT**

Peter Mixon reported no new cases. The matrix was before the Board for consideration.

Mr. Mixon announced Pat Pechtel as the new Assistant Chief Counsel for Investments. Mr. Mixon also acknowledged Carol Lawson for her contributions to CalPERS.

### **AGENDA ITEM 19 – BOARD TRAVEL APPROVALS**

**ON MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the travel requests.

## **AGENDA ITEM 20 – DRAFT AGENDA FOR FEBRUARY 21, 2008 MEETING**

The draft agenda was accepted.

## **AGENDA ITEM 17 (revisited) THE FULL HEARING – Aimee Langlois**

George Diehr submitted a Waiver of Interest (attached) to be included with the minutes.

Mr. McComber and Ms. Shin presented their respective reports.

**ON MOTION** by Mr. Valdes, **SECONDED** and **CARRIED**, the Board adopted staff's recommendation denying the application of Aimee Langlois.

There being nothing further to come before the Board of Administration, the meeting adjourned at 11:30 a.m.